

# **MEETING OF THE BOARD OF BANK ADVISORS**

August 26, 2013

9:00 am

Department of Financial Institutions  
324 South State Street, Suite 201  
Salt Lake City Utah

## **Minutes**

### **BOARD MEMBERS PRESENT:**

Eric Schmutz, Dave Brown, and Craig White.

### **DEPARTMENT OF FINANCIAL INSTITUTIONS STAFF PRESENT:**

Commissioner Ed Leary, Tom Bay, Paul Allred, Eva Rees, Mark Peterson, and Sonja Long.

### **OTHERS PRESENT:**

Roger Shumway, Bank of Utah; Ray Dardano, Marlin Business Bank; Michael Fosmark, Continental Bank; John Sorenson, Home Savings Bank; Don Norton, Capital Community Bank; Jon Allen, Bank of American Fork

#### **1. Call Meeting to Order – Chairman Eric Schmutz**

#### **2. Minutes –**

There was no quorum at the last meeting, so we need to approve the minutes from our February 25, 2013 meeting. Craig White made the motion to accept them, Dave Brown seconded the motion.

The meeting on May 29 was more of a town hall style meeting. One question from that meeting was the moratorium deadline has passed. Chairman Schmutz asked if there has been any discussion on that. Commissioner Leary said that nothing formal has been talked about and he said it has not been put into a bill so that is a good thing.

Tom Bay gave a summary of what happened with the notes from the “town hall” style meeting that we had last time. It was to provide feedback to the CSBS and FRB St Louis for a conference that they will be holding this fall.

#### **3. Consumer Compliance Update – Eva Rees**

Eva said that the CFPB has put out a group of YouTube videos explaining their new mortgage rules. Most of them become effective in January. Eva showed them the list of videos. She said you can watch one that is an overview of the whole group, or you can go through the individual rules.

Eva looked through some of the recent compliance exams to get an idea of what is still being cited. The #1 thing is UDAP's. The second thing is to verify that your compliance management system is adequate. They look at CMS. Another hot topic third party service providers, whether they are affiliates or non-affiliates they don't care. If the third party is doing something for you they will hold you responsible for their practices. Another thing that they are looking at hard is add-on products. Products like credit life and credit disability insurance, primarily things that are associated with credit cards. And the Service-member Civil Relief Act is a hot topic.

Eric Schmutz asked if one of your third party vendors has been examined or downgraded by the FDIC how does that affect us in an exam. Eva didn't know of any case that it negatively affect the bank, but they will look at your agreements with that vendor to make sure that you have protections and rights to make sure that they are doing okay.

Eva gave a handout on Emerging Risks. She went through the seven items on this list from the FED.

Eva also mentioned that if you any fair lending violations cited, your CRA is going to go to needs to improve. There was a discussion on some of the issues that are out there.

Commissioner Leary commented that CFPB asked him to speak to all of their examiners in Washington DC in July. One of the interesting parts of that dialogue that he listened to was the CFPB believe that they are helping. For example, stated income loans while the banks can't do that they are going after the non-banks that are trying to do that. They hope that their role is somehow balancing the market.

#### **4. Performance Trends – Tom Bay**

Tom gave out his report. He went through the numbers.

#### **5. Commissioner's Comments – Commissioner Leary**

Commissioner Leary explained that the Governor wants to improve the efficiency and effectiveness they have worked with a number of management groups and teams to try and find an appropriate management tool to measure that in the state agencies. The term they have come up with is SUCCESS Framework. For the last year each state agency has been learning this SUCCESS Framework. He explained where it is going. The Governor wants 25% efficiency improvement over the next 4 years. Commissioner Leary went through the process that the department went through to come up with their framework.

Eventually this SUCCESS Framework information will be put into a database for the public to access for each state agency. He gave out a copy of the department's SUCCESS overview and went over it.

CIT Bank has submitted a notice to the department. They were historically an industrial bank and in 2008 converted to a commercial bank. Part of their rebuilding strategy, they wanted to create a retail presence in some key cities, they have chosen Salt Lake as the first, so they will be opening a branch on 400 S and Main. They estimate that sometime in the first quarter of 2014 they will open that branch.

#### **6. Other business –**

Eric Schmutz asked Paul if there was anything on the horizon legislatively. Paul said that they always hear rumors, especially about payday lending, but nothing specific. Commissioner Leary said that the department is looking at doing a technical amendments bill to clean up and update a few things in our statute.

#### **7. Date of next meeting – November 25, 2013 – 9:00 am**